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Contact Jim Hubbard
(202) 225-2671

Benefits go into effect July 1 to help with the increasing cost of education

(WASHINGTON) - Congressman Russ Carnahan (MO-3) today announced benefits to aide with the costs of college that go into effect July 1, 2009 that every borrower should know about. As the average student graduates with more than \$22,000 in total student debt, benefits signed into law in 2007 as part of the College Cost Reduction and Access Act that go into effect tomorrow will help those finding it difficult to pay off their education loans.

"This year's graduating class enters one of the toughest job markets in decades," said Congressman Carnahan.

"As many borrowers already spend high percentages of their take-home pay making student loan payments - it's likely to get worse before it gets better. Given these challenges, it's critical for current college students, new or soon-to-be graduates, and workers to know about new benefits going into effect July 1."

On July 1, the interest rates on subsidized federal student loans will decrease from 6 percent to 5.6 percent. This is the second of four annual cuts in this interest rate; it will continue to drop until it reaches 3.4 percent in 2011.

Each year 5.5 million students borrow need-based federal loans - half of these borrowers come from families with incomes between \$26,000-\$68,000.

Also, a new Income-Based Repayment program to help those with hefty debt loads or low-paying jobs will go into effect that caps borrower's monthly loan payments at just 15 percent of their discretionary income (15 percent of what a borrower earns above 150 percent of the poverty level for their family size). Any current or future borrower whose loan payment exceeds 15 percent of their discretionary income is eligible. After 25 years in the program, borrowers' debts will be completely forgiven.

Due to funding provided by the 2007 Act and the American Recovery and Reinvestment Act, the maximum Pell Grant scholarship for the 2009-2010 school year will be \$5,350 - more than \$600 above last year's award. About 6 million students received the Pell Grant scholarship for the 2007-2008 school year. Of these students, 75 percent had family incomes below \$30,000.

"A well-trained workforce is critical to rebuilding our economy and middle class," said Congressman Carnahan. "

These benefits will help make student loan payments more manageable for millions of Americans."

Graduates who enter into public service careers such as teachers, public defenders and prosecutors, firefighters, nurses, non-profit workers and more, will be eligible for complete loan forgiveness after 10 consecutive years of public service and loan payments. To encourage more students to become teachers, the law provides up-front tuition assistance, known as TEACH Grants, of \$4,000 a year - for a maximum of \$16,000 - to students who commit to teaching high need subject areas in high need schools for four years after graduation. (These grants first went into effect for the 2008-2009 school year).

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